

Are Islamic Moral Concepts the Same as Conventional Regarding Economy, Market and Capital? A new Quest

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Abstract

The concept of morals and values have different point of views in Islamic and conventional economics. The Islamic concept of morals and values is based on the teachings of Quran and Sunnah. In Islamic concepts the actions depend on intentions that are integrated with the worldly life as well as life hereafter. These views segregate the Islamic concepts from conventional concepts related to economy, market and capital.

Keywords: Moral Market, Islamic Moral Market, Islamic Capital, Islamic Economy vs Conventional Economy

Currently economics as a subject is being criticized for its value free nature as a subject and it is believed that it has no concern with the morals and values. Furthermore, it is also generally believed that self-interest is the major motive for all economic activities. Therefore, there is an increasing demand to change the track of economics as a subject and to rethink its concepts. There is a dire need to reform its existing theories, models, policies and also reshape its profession. Therefore, keeping this in view a number of studies and researches have been produced in this field. Many of these studies are convinced that the economy should be built on moral grounds, hence there is a need to rebuild its foundations. Similarly market should not behave like a moral free institution and market participant should be virtuous. A substantial literature emphasized that intangible capital besides the traditional capital also plays a very important role in the development of the economy and society. It is assumed that all others forms of intangible capital are generated from the moral capital. Hence, the new literature focuses on terms like moral market economy, moral market and moral capital.

In typical literature of economics, the economists have differentiated clearly between economic and moral values. In their opinion the values in economic sense are subjective and depend upon the preference order of the individuals whereas moral values are governing our conduct. Economic values are based on the demand and desired of the economic agents. Economics could not deal about what they should value.¹

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However, Islamic concept of moral is not same as in the conventional setting. All the Islamic concepts are developed under the guidance of *Quran* and *Sunnah* and they are integrated with two worlds i.e. the current world and *Akhirah* (life after death). Therefore, in this study an effort is made to discuss the moral economic concepts in the conventional settings vis-à-vis Islamic settings. In order to achieve this target an effort has been made to consult Quran, practices of Prophet (SAW) and the literature from renowned Muslim scholars like al-Ghazali, Ibn-Tayyimia, Ibn- Qayyam, Abu-Yousaf and Ibn-Khaldun.

The current paper is organized as follows: Section - I discusses the Market vs moral market economy and economic vs moral capital in the conventional setting whereas section - II discusses the same concept in Islamic settings along with the discussion on the formation of other tangible capital and traditional capital from the moral capital.

Section I:

In this section a discussion on the moral aspects of the conventional economy, its market and the state of capital is presented. This section will also examine that how literature defines and explains these terms without the divine commandments.

Market Economy:

There is huge amount of literature that presents the debate related to the nature of the capitalism and its impact on the economy. For example, some of the theorists asserted that market economy is not virtuous and has no positive impact on the society². In Tanner's³ view it promotes poverty, appreciates greed and exploits the depressed segment of the society. She also believes that it has its impoverished targets and has a negative effect on human relationship and true friendship. On the other hand, some appreciate the market economy and support the idea that market economy promotes the innovations, creativity, increases the opportunity for employment, reduces the racism, provides the opportunity for unknown to become friends and it is the house of virtuous^{4&5}. It is amazing that both of the sides have their own arguments for the same system and sometimes it is hard to believe that both are discussing the same system with opposite arguments.⁶

However typical literature illustrates that market economy is based on the market forces i.e. demand and supply where prices of goods and services are determined by the market forces (if market is free), consumers are consuming because they want to maximize their utility and every consumer has its own preference order and tries to achieve the maximum point on its indifference curve with given level of income. Similarly, the objective of producer is to maximize profit and every economic agent works for its own interest. In general, it is assumed that market is value neutral. It shows that economy means to produce and circulate the goods among the economic and social agents. The reward of factors of production is based on their marginal productivity and more efficient factor earn more as compared to less efficient one. Hayek⁷ a great supporter of market economy said that market is neither moral nor immoral, in his opinion this is the behavior of participants which makes the economy moral or immoral. He did not believe on the

concept of social justice. New classical school of thought propagating that there should be less intervention from the government, all the participants and economic agents are striving for their self-interest. All the economic activities are taking place through voluntary exchange. Equality is the main motto of the market economy rather than equity. They emphasized more on the positive aspects of the economy rather than on the normative aspects. Scarcity is the major issue and all of the policy issues are revolving around it. Welfare is measured in terms of utility acquired by the economic agents. Everyone has legitimate right to earn income and create wealth through his efforts. A very important question arises about the market economy, i.e. does it provide the comfort or harm to poor.

Generally it is assumed that market economy promotes greed, selfishness, dishonesty, deteriorates the relations among the members of the community, reduces the degree of benevolence, increases the conflict, strengthens the class system and increases the vices instead of virtuous.

Economic growth has taken a lot of space in the literature. After 1930s there was lot of literature produced on the discussion of economic growth and there developed the new empirical models for its measurement. It was believed by some theorists that and growth is value free concept and neoclassical models, in general are ignoring the human behavior and concentrating on the monetary costs. In order to achieve the targets of growth economies are not considering the cost of human beings and also the cost of environment^{8&9}. Pearce¹⁰ believed that greed and desire of material wealth is the real foundation of the growth targets which is also the agenda of multinational corporations. He further criticized the economists and said that they are only concentrating on the market price instead of the intrinsic value of the goods which is the permanent feature of the goods. He also objected that a clear distinction is made in the market economy between “consumer’s goods” and “producers’ goods” from a purchasers’ point of view but nobody takes it in account that if these are “man-made or God-given”. He further added that prices are determined blindly (indiscriminately) and illustrated that how it is possible that equal prices of different commodities have the same value. He also commented on the labor savings techniques/innovations and argued that the poverty in the third world is also due to this strategy. Mueller¹¹ argued that still market economy is not able to solve the issue of “final distribution”. He added that in the utility function “gifts” should be added and emphasized that “gifts, exchange and personal value” should be included in the final distribution. Mueller¹² added that love (gift) and hate (crime) are the part of the human life and the actions of economic agents are based on these two poles and the supporters of the market economy were not able to give significant attention on this issue. He further added that economy is really based on the human behavior, exchange is in not in between isolated individuals and exchange has different value based ingredients like justice, equality of exchange value so it is not value free. Pearce¹³ refuted the law of comparative advantage and advocated that this also created severe problems for the rest of the world and especially to the third world. He also condemned the over-exploitation of the resources. Mueller¹⁴ also suggested that government should spend through the income of taxation on the welfare projects instead of printing money.

Moral Market Economy:

The supports of market economy have their own arguments. They argue that even in the presence of self-interest, economic agents provide the service to the community. They considered value in economic sense instead of moral sense. For example McCaffrey¹⁵ commented on economic value and moral value as:

“Value in its economic sense is subjective; it exists only in the minds of human beings and is merely a preference for one thing over another—a relative estimate of worth. Moral values, on the other hand, are those principles that we choose to govern our conduct. Because value in the economic sense is subjective, nothing has “intrinsic value,” or in other words, things are only valued in as much as people desire them.”

Majority of the economists believe that price plays a very important role in the allocation of scarce resources and especially it is more helpful when time is involved in the procedure of allocation. They claimed that market economy distinguished in well-established manners in between the man-made (Capital) and God-made (land) resources and this is the price mechanism that leads the mankind towards their proper value and through the instrument of price one can measure the preferences of the individuals and exchanges taken place among them. Neo-classical economists defend the marginal revolution and claimed that due to marginal revolution the goods and resources are allocated in a best manner and also satisfy the certain demands. Rothbard¹⁶ commented that this is the production system which is the other side of the distribution, when we are producing something simultaneously we are also distributing among the factors of productions in terms of wages, rent, interest and profit which is the rewards (prices) of the factors of production. McCaffrey¹⁷ asserted that market economy is based on the actions and if economic agents perform morally then it will create their good-will in the production as well in the consumption process. It is also argued that in the course of division of labor, if someone tries to make one better off in real terms then one also improves the state of others. It is also argued that if economic values are immoral then exchange will not take place because exchange and economic value are related with each other, if ‘A’ is preferred to ‘B’ then it implies the more economic value is given to ‘A’ than ‘B’. Most of the market economists appreciate the growth and labor saving innovations. According to them the productivity of the factors of production and supply of material of goods are increasing through the process of technological progress and innovations. It is also claimed that scarce resources are conserved through the technological progress and through the process of growth which in turn is the service to the humanity. They also argued that price system is the best system which allocates the resources in an optimal way. Prices are changing with the new production and this fluctuation in the price is the blessing for the human being because in that way they can consume different products and resources according to their preference orders. Similarly they also support the “law of comparative advantage” which is the true implications of “law of scarcity” and through this one country is specialized in that commodity in which she has more comparative advantage and through this serving the whole world with more supply of the goods.

Market, Moral or Amoral:

In a typical literature market is considered as a place where commercial dealings are conducted. Generally price is determined through the interaction of demand and supply. Supply and demand are two market forces which play very significant role in the functions of the market. It is assumed that market itself is neither moral nor immoral¹⁸. Market performs its functions as a value free institution such as determining the prices, providing the information about the traded goods, accelerating the commercial dealings and simultaneously plays its role in the process of distribution. However in literature one can find a number of studies which are related to the moral and immoral aspects of the market. Market supporters are in view that self-interest is not a vice but ultimately it becomes virtuous, when someone is working for himself simultaneously he is serving the other members of the community, i.e. “private vice” transforms into “public benefit”¹⁹. On the other hand it is also argued that if market does not able to support the poor segment of the society and promotes the self-interest, dishonesty, greediness then there is a need to change the order of the market.

Is Market Amoral?

The critics of market are worried that market promotes the materialism and there is less space for the virtuous and also for the social and communal relations²⁰. In his opinion these critics have the idea that market flourishes on the cost of community and also it promotes selfishness, greed and dishonesty. For example, MacIntyre²¹ argues that growth of market is taking the place of community; it promotes individualism, materialism and greediness. Gray²² concluded that free market has a negative effect on the social values, reducing the relations among the members of the community, increases the materialism and also reduces the trust in the society. Sack²³ asserted that market has the negative impact on the distribution of income, it increases disparities i.e. wealthy are becoming wealthier and poor segment of the society is becoming more poor. He further added that individual desires replace the needs of community. Gudeman²⁴ explains that market and community are two opposite poles. Market is going towards profits where communal relations are for benevolence. In his analysis due to the expansion of the market all social values transform into self-interest and the life pattern of the community changes and becomes more commercial.

Marx and his follower²⁵ are worried about the expansion of market and they ascribed that market occupies the space of community and society. Social values are diminishing and self-interest is increasing. In their opinion same as Gudeman²⁶ that market is vice and destructive harmful for the communal values.

Knight²⁷ supported that everyone has his own family and belongs to a group. He has the loyalty with that group and his family so it cannot be generalized that individual is just thinking about his own interests. He concluded that market is not the only solution to economic and social issues. Whereas Polanyi's²⁸ double movement is the product of the market, he said that philanthropy is the reaction of the market behavior which promotes the greediness and selfishness. Cornuelle²⁹ concluded: “desire to serve others” is as powerful as “the desire for profit or power”.

Putnam and Feldstein³⁰ also shows their concern about the declining of social capital due to market phenomenon. Even they recognized that workplace is also increasing the relationship among the co-workers but still it is not as strong as it could be.

Moral Market:

The morality of the market depends upon on its participants if they have virtuous behavior and trying to increase their goodwill through good behavior and in resultant market develops the “ethical better people”. Market is supporting us in improving our good values and market is the place where consumers are consuming for their love ones³¹. Zak³² opine that most of the economic exchanges with known or unknown individuals that are occurred in the market are based on the good characteristics of the market agents. It promotes honesty, fairness, trust, righteousness, decency, sincerity and truthfulness and it also promotes the social capital in the non-market settings. Storr³³ asserted that if there are more opportunities for market to develop then one can see that how market improved the state of honesty, decency, goodness, trust, fairness, reliability. According to him it is due to the market that one is able to cure different diseases like cancer and alternative resources. In his opinion market has more potential to increase the relation with the members of the community and also among those who are not known to the members of the community.

Hayek³⁴ was a great supporter of the free market and claims that due to market unknown are becoming friends and this the market which brings the people close to each other from the different parts of the world which could not be possible otherwise. The gains of one man becomes the gain of others due to exchange and friendship among the unknown is developing³⁵. Storr³⁶ stated that a number of “social bonds” can occur during the exchange process between individuals or groups. He added that due to market expansion social relations are not abolished, market expansion and new technological development play an important role in making the community relations even if the people are living in the far flung areas, he gives the example of Facebook, etc. He does not believe that market destroys the community or market corrupts the community.

However, as Hayek³⁷ believed that market is neither moral nor amoral or it is assumed that due to the behavior of market agents market become moral or amoral, market distributes the resources among the factors of production or it alleviates the poverty³⁸. Rothbard³⁹ said that we are getting the benefit through serving the others and fulfilling the needs of others. Storr⁴⁰ was not convinced by the above mentioned arguments. He claimed that market does not only fulfill the needs of the society but also teaches that how an individual should perform as a participant in the market. As Novak⁴¹ was also in favor of market and said that this is the religious duty to create and innovate. He asserted that market is the place where participant got the training for virtuous like honesty, decency, care, transparency, etc. Fukuyama⁴² concluded that prosperity of the market depends upon trust and cooperation among the strangers and reduction in the transaction cost. Even Hayek⁴³ was in favor of just conduct of the market participants. Justice is a virtue which improves the goodwill of the market agents. Ratnapala⁴⁴ emphasized on the building

of moral capital in the community. He stressed that morality cannot be separated from commerce. According to Storr⁴⁵ market has a lot of moral space for the virtuous. Boettke⁴⁶ (2004) explained that moral market is based on social cooperation and without social cooperation market is amoral. Yuengert⁴⁷ asserted that there is no need to say that market is moral or immoral, it is sufficient that market is the source of income and market agents earn their income with their moral behavior. Lavoie and Chamlee-Wright⁴⁸ concluded that market is the place where participants are learning a number of social and ethical behavior. Langrill and Storr⁴⁹ define the market order as:

“The market order is a moral order not simply because we can simultaneously be moral beings and participate in markets but because the market both benefits from and promotes morality.”

According to Fukuyama⁵⁰ distrust is like a tax on the society because trust among the participants reduces the transaction cost.

Economic Capital:

Capital is one of the factors of production. It is argued that economies with more capital are more productive than those with less capital. The capital of any economy increases with positive change in investment. It is generally assumed that capital generates more wealth in the economy. It can be sold or bought in the market and its property rights can be transferred to the other economic agent or corporation. It is also mentioned in the literature that capital is produced through investment, then generating wealth and then economies are enjoying affluence because they forgo their current consumption.

However with the passage of time in the literature one can see different types of capital for example social capital, cultural capital, religious capital, moral capital, psychological capital and human capital.

Haidt⁵¹ explains social capital as:

“Social capital refers to a kind of capital that economists had largely overlooked: the social ties among individuals and the norms of reciprocity and trustworthiness that arise from those ties. When everything else is equal, a firm with more social capital will outcompete its less cohesive and less internally trusting competitors”

In his opinion social capital is strongly associated with moral capital. He defines moral capital as⁵²

“We can define moral capital as the resources that sustain a moral community the degree to which a community possesses interlocking sets of values, virtues, norms, practices, identities, institutions, and technologies that mesh well with evolved psychological mechanisms and thereby enable the community to suppress or regulate selfishness and make cooperation possible.”

Ratnapala⁵³ defined capital as:

“The concept of capital has more recently been extended to conditions that help production by facilitating coordination among parties to transactions. This form of capital may or may not be “owned” by individuals or firms,

but it provides them with clear advantages. Morality falls within this extended meaning of capital.”

Generally it is assumed that the existence of all above types of capital increases the efficiency of the economic system. It is also argued that shortage of economic capital is the symbol of poverty, whereas lack of social capital in economy represents that the participant have less opportunities. Similarly without human capital economic agents have less knowledge, less abilities and less skills, and if society is deprived of moral capital then members of the society suffers from regrets, guilt, self-hatred, disgust etc. If there is less psychological capital then members have less self-efficacy, low optimism, less hope and less resiliency. This ultimately brings negative impacts on the productivity. In the following section a short discussion about moral capital is presented:

Moral Capital:

The proponent of moral capital assert that there is a significant association among moral capital, commerce and economic performance. They claim that economic dealings are not sustainable without moral capital. In their opinion moral capital is the sign of sustainability and inclusiveness. It is argued that with the moral capital the economy is going to be more prosperous with less transaction cost whereas without moral capital the economy will fail to achieve it required target of efficiency and productivity. According to Ratnapala⁵⁴:

“The main forms of morality are identified as justice, beneficence, and temperance.”

In Ratnapala’s⁵⁵ definition moral laws/rules or activities are increasing the transaction cost it means those are not generating the moral capital. It is also assumed that social capital is required moral capital and vice versa. Similarly human capital and moral capital have strong positive association, i.e. a well-educated and well-trained person has more concerned with the ethical norms of the society. However, justice, the part of moral capital is not same as the distributive justice or social justice⁵⁶. While discussing moral capital and institutions, Ratnapala⁵⁷ built this opinion

“Though regarded as moral, some institutions may actually increase transaction costs by regulating or prohibiting particular kinds of transactions altogether (for example, bans on alcohol consumption and sales or on Sunday shopping), and hence they do not help to build moral capital.”

It is observed in the related literature that commerce and justice are associated with each other, as Otteson⁵⁸ said that historically societies learnt the justice from “barter and exchange”. As Hume⁵⁹ defined that stability of possession and fulfilling the promise are important ingredients of justice and in the world of commerce, exchange will not take place in the absence of ownership and promise. Most of the proponents of free market argued that commerce without intervention of any authority displays more justice than otherwise. Ratnapala⁶⁰ supports that with

more prosperity, advanced technology, advanced level of communication the beneficence of the commercial society increases.

Ratnapala⁶¹ comparing the state of moral capital in developed and underdeveloped countries and reach this conclusion:

“The problem of depletion of moral capital is more acute in poorer nations. The institutions of justice are weak in these countries, and commerce is greatly hampered by the arbitrariness of government, nepotism, cronyism, state patronage, excessive regulation, lack of transparency and accountability of public authorities, and inherited cultural constraints on market processes.”

In Ratnapala's⁶² opinion that moral capital is related to the property, more commercial activities, more transactions and it is depleting if transaction cost is becoming higher.

Section II:

After the 1st conference on Islamic economics and finance which was held in Mecca in 1976, a number of studies have been emerged that have discussed Islamic economics and Islamic finance in the academic world. In this section an effort will be made to review that literature. This section will also throw light on the Islamic moral concept of market and capital. However when we will say Islamic moral it means all the moral actions are guided by Allah (SWT) and also by his messenger. So these actions are directed by the divine knowledge. For example if some is giving charity, it is a moral action but how to give where to give and when then we need some guidance from Quran and *Sunnah*.

Islamic Moral Economy:

Generally it is assumed that for every system of Islam is based on some basic assumptions. For instance, Allah (SWT) is the creator; man is accountable to him for all of his actions and especially for economic system there are some further assumptions i.e. the functions of institution of zakat, interest free economy, implementation of Islamic laws of inheritance, production of permitted goods (*Halal*) and production of forbidden (*Haram*) goods are not allowed. In a nutshell, the source of guidance is *Quran* and *Sunnah*.

However if someone wants to explore the Islamic moral economy then one has to construct a model for Islamic moral economy with some extra assumptions based on the verse of *Surah Al Nahal*, that states:

*“Allah commands doing (Adl) justice, (Ihsan) doing good to others, and (Sila-i-Rahm) giving to near relatives, and He forbids (Fahsa'a) shameful deeds (Zulam) injustice, and rebellion: He admonishes you so that you may take heed”.*⁶³

In the above verse Allah (SWT) is giving the order which is transferring the Islamic economy into the Islamic moral economy.

Islamic Economy and Justice:

Justice in Islam is a compound of two things. Firstly, proportionate balance will be established among the rights of the members of the society and secondly everyone will be able to get its due right. Islam orders to maintain equity in the economy/society. However in some situation Islam requires equality, for example about the rights of the citizens. Whereas, in some cases Islam condemns the equality, i.e. social and moral equality among the parents and offspring, among the reward of efficient and inefficient workers. The provision of due rights to each and every one is considered as justice in Islam and it is applied to all the sectors of the society i.e. social, economic and cultural.

Allah (SWT) says in Quran that justice and God fearing (Taqwa) are highly associated with each other.

*"O believers! Stand-up firmly by the Commandments of Allah, bearing witness with justice and let not the enmity of any people incite you that you should not do justice. Do justice that is nearer to piety and fear Allah, undoubtedly, Allah is aware of your doings."*⁶⁴

And also loves those who do the justice among the people.

*"Indeed, Allah loves those who act justly."*⁶⁵

Islamic moral economy is more than Islamic economy and the first and very strong pillar of this building is to maintain the justice among the different members or groups of the community. Islam does not differentiate between Muslims and non-Muslims.

Justice is for everyone, no one is privileged one, rich, poor, close relatives etc. all have the same standing in this system.

*"O you who believe, be persistently standing firm in justice as witnesses for Allah, even if it be against yourselves or parents and relatives. Whether one is rich or poor, Allah is more worthy of both. So do not follow desires, lest you not be just. If you distort your testimony or refuse to give it, then verily, Allah is aware of what you do."*⁶⁶

Prophet (saw) said as narrated by Jabir Ibn Abdullah:

*"Guard yourself from oppression, for oppression will be darkness on the Day of Resurrection. Guard yourself from greed, for greed destroyed those before you. It caused them to shed blood and to make lawful what was unlawful."*⁶⁷

And Ibn Al-Qayyim said about justice:

*"Allah the Exalted has made clear in his law (sharia) that the objective is the establishment of justice between His servants and fairness among the people, so whichever path leads to justice and fairness is part of the religion and can never oppose it."*⁶⁸

Islamic Economy and Good Deeds (Ihsan):

Good deeds (*Ihsan*) is a next stage to justice. The moral rank of good deeds is higher as compared to justice. *Ihsan* is a very comprehensive term. Here meaning of *Ihsan* is nice behavior, man should be open hearted, sympathetic towards other

fellow members of the community, honesty, decency, cooperation, forgiveness, looking after others, to give to the other fellows more than they deserves, and ready to take less than to his right. This is more than justice and its importance is more than justice in the communal life. If justice is the foundation of society then *Ihsan* is the peak and beauty of the social life. Justice protects the society from the harsh situation whereas *Ihsan* provides the happiness to the community. In the Islamic system, likewise justice, *Ihsan* is also related to the degree of God fearing. As Quran says in Surah Al-Nahl:

*"Indeed, Allah is with those who fear Him and those who are doers of good."*⁶⁹

And in Surah Al-Araf, Allah (SWT) says about those are not doing any bad things and their actions are not the cause of corruption in this world and they are always following the orders of Allah (SWT) then Allah (SWT) helps them.

*"And cause not corruption upon the earth after its reformation. And invoke Him in fear and aspiration. Indeed, the mercy of Allah is near to the doers of good."*⁷⁰

Islamic Economy and Looking After the Relatives and Friends (*Sila-i-Rahm*):

Bonds of kinship and the rights of the relatives are important aspects of the Islamic social and economic life. Looking after the relatives, friends and other Muslim brothers comes after justice and *Ihsan*. It is not only limited to treat them well but also to participate in the activities of their social life, for example share their sorrows and happiness. If they need any help then extend it. It is the duty of the Muslims to look after and support the orphans.

Quran says:

*"Ya Rasul Allah, say to them: "I do not ask of you any reward for this work; however, I do seek the love of the kindred/relatives."*⁷¹

If someone breaks the relations he is not considered as rebellion, Allah (SWT) says:

*"But it is only the rebels He (Allah) makes go astray: who break their covenant with Allah after it has been confirmed, who severs/breaks the bonds [of relationship] that Allah has commanded to be joined, who spread corruption on earth – these are the losers."*⁷²

In Surah Nisa Allah (SWT) says:

*"O Mankind, fear your Lord, Who created you of a single soul, and of the same created his mate, and from that pair spread countless men and women over the earth; fear that Allah in Whose name you demand your rights from one another, and abstain from violating relations between kinsfolk; note it well that Allah is watching you very closely."*⁷³

This verse mentions in a very beautiful way about the human rights and also about the human relations.

On the question of one person Prophet (SAW) said:

*"Ya Rasul Allah, please tell me something to do which will take me to Paradise." Prophet (SAW) replied: "Do not attribute any partnership with Allah, pray sincerely, give alms, and fulfill the rights of relatives."*⁷⁴

And once the Prophet (PBUH) said:

“The one who keeps giving charity and continues to extend love and care to relatives, Allah (SWT) gives him a long healthy life, protects him from a bad end, and shields him from calamities & hardships.”⁷⁵

From the above verses and sayings of Prophet (SAW) one can conclude that the just to maintain the institution of zakat, interest free banking, implementation of law of inheritance, production of halal products is known as the Islamic economics. But for the Islamic moral economy one has to go further and maintain the institution of justice, *ihsan* and looking after the relatives and other members of the society and that will transform the Islamic economy into the Islamic moral economy.

Islamic Moral Market:

The concept of market in the Islamic framework is different than the conventional concept. The concept of market is integrated with this world and hereafter. According to Al Ghazali that one can earn this life just to fulfill its basic needs and the remaining he has to spend in the way of Allah (SWT). He also emphasized that all the actions of this world are in real term for the preparation of the life hereafter. In his opinion there are two types of trading one is with the fellow members and other with the Allah (SWT).

In Quran, the word market is used twice in Surah *Al Furqan*.

“They say: ‘What is it with this Messenger who eats food and wanders in the market-place?’”⁷⁶

And:

“We sent not before you any messengers but they ate food and wandered in the market-place.”⁷⁷

From the above two verses it is observed that market is considered as part of the life and there is no hesitation for anyone to move in the market. And Quran gives us the positive standpoint about the market and there is nothing strange or unusual in the market.

This is the one segment of the market, where people are trading, buying and selling with each other in this world. The other part of the market is related to life hereafter where man is trading with Allah (SWT).

$$M_t = M_w + M_h$$

Where ‘M’ is market, ‘t’ is total, ‘w’ is this world and ‘h’ is life hereafter.

Al-Dimishqi and Ibn Iskandar supported the self-interest and earning the wealth “for its own sake”, however it should be with the virtues, i.e. honesty, charity, brotherhood, truthfulness, and etc.⁷⁸. Ibn Tayyimiya, Ibn Qayyam and Al Ghazali supported the idea of social and distributive justice. Islam provides the guidance to its followers about their preference orders, they have to make the choice in between the worldly profit and the reward hereafter. Quran guides the Muslims how to make the right choice. In some situations, Allah (SWT) is buyer and followers are sellers and in others situations situation is reverse. Allah (SWT) explains the act of choice right or wrong in the following way.⁷⁹

“These are people who bartered true guidance for waywardness. Their commerce did not profit them, nor are they rightly guided.”⁸⁰

In the above verse man is buyer and is involved in the commerce but this commerce will not give him the profit. In the following verse the issue of exchange in between two lives has been discussed as:

“Those who have purchased the present life in exchange for the afterlife, for them punishment shall not be lightened, nor shall they find any to help them.”⁸¹

In this verse Allah (SWT) explains about the price which man is paying and how is the end result.

“Wretched the price they paid for their souls: That they should blaspheme against what God revealed, in envy that God would make His grace descend upon whomever He wills of His creatures!”⁸²

Here Allah (SWT) guides that how one can get the profit in his life hereafter.

“O believers, shall I point you to a commerce that will save you from a painful torment? That you believe in God and His Messenger; that you exert yourselves with your wealth and persons. This would be best for you, if only you knew.”⁸³

How Allah (SWT) giving the reward when Allah (SWT) is the buyer:

“Those who recite the Book of God, who perform the prayer, who expend of what We provided them, secretly and in the open—these can expect a commerce that will never fail. He shall pay them their wages in full and increase His favors upon them. He is All-forgiving, All-praiseworthy.”⁸⁴

In the following verse Allah (SWT) clearly mentioned that what he purchases and what is the reward is giving by Allah (SWT):

“God has purchased from the believers their souls and their wealth and, in exchange, the Garden shall be theirs. They fight in the cause of God, they kill and are killed—a true promise from Him in the Torah, the Evangel and the Qur’an. Who is more truthful to his promise than God? So be of good cheer regarding that business deal you transact. That is the greatest of triumphs.”⁸⁵

Reda⁸⁶ asserted that if our choice is not in the right direction and we prefer this life than life hereafter, then we are the purchaser, our exchange is not profitable and there is negative reward (punishment). Whereas, on the other hand if our choice is on the right direction and preferences for the life hereafter then Allah (SWT) is the purchaser and in return reward is positive (gardens of paradise). As Reda⁸⁷ commented that Quran used the words of commerce, profit, exchange, barter and wages it implies that these terminologies are not condemned in the Islamic framework, so same for the worldly market

Quran has also discussed the financial market for this world and life hereafter. For this world Quran condemns the interest (*riba*) and appreciated the loan without *riba*, i.e. *Qard-i-Hasan* (benevolent loan). However for the life hereafter the financial market has different features. As Quran explain as:

“Who shall be the one who offers up to God a handsome loan, which God shall multiply for him many times over? It is God Who holds back or gives in abundance, and to Him you shall return.”⁸⁸

“Whoso loans God a goodly loan, He shall multiply it for him, and shall receive a noble wage.”⁸⁹

“Alms-givers, men and women, who loan God a goodly loan—it shall be multiplied to them, and they shall receive a noble wage.”⁹⁰

“If you loan God a goodly loan He shall multiply it for you and forgive you. God is All-Thankful, All-Forbearing.”⁹¹

It is worthwhile to note that Allah (SWT) does not need the above loan but if someone spends in the way of Allah (SWT) and wants to please Allah (SWT) then reward is very high and it is immeasurable. Whereas on the other hand the scale of this world is different if someone receives more than its principal amount that is prohibited whereas in the financial market of life hereafter Allah (SWT) has promised the infinite reward.

Islamic Moral Capital:

Ratnapala⁹² discussed the three ingredients of moral capital, i.e. Justice, Beneficence, and Temperance. Ratnapala explains that if someone is not able to perform the good actions and not creating the moral capital then he is not appreciated by the society. In his opinion,

“Justice or morality of duty is expected of us: we will be condemned if we murder, rape, or steal, but we will not be praised if we don’t. On the contrary, beneficence or morality of aspiration is not mandatory. We are not condemned if we fail to perform acts of great charity or to make heroic sacrifices, but we will be praised if we do. Beneficence, by this definition, consists of voluntary acts that both the giver and the beneficiary are not compelled to give or to receive. One can be just without being beneficent.”

And Ratnapala⁹³ added as:

“Though regarded as moral, some institutions may actually increase transaction costs by regulating or prohibiting particular kinds of transactions altogether (for example, bans on alcohol consumption and sales or on Sunday shopping), and hence they do not help to build moral capital.”

Ratnapala⁹⁴ commented as:

“Restrictions on alcohol and tobacco sales and consumption, prohibition of many recreational drugs, regulation of prostitution, and censorship of erotica are prominent examples of temperance-related limits on liberty. Legislators seek to justify these laws on the grounds that such laws protect not only the consumer but also others. Yet these laws deviate radically from traditional tort principles.”

However, in the Islamic sense the above is not true. Islam appreciates if someone is not involved in the bad actions. Islam appreciates if its followers are spending their lives according to the Quran and *Sunnah*. Islam condemns and warns him about the punishment if someone has enough resources and does not give the

charity. Moral capital does not mean that one should not follow any guidance. Anything which is harmful for the society is not allowed. Moral capital in Islamic society increases by following injunctions of Islam.

Moral capital in the conventional system has already been discussed. Nonetheless, moral capital which was discussed in the section I is based on the man-made principles and has temporal and spatial limitations. It is a well-known phenomenon that man is not capable to perform virtues without the lawgiver guidance.

It is well recognized that Islamic moral capital is a comprehensive and universally recognized and does not face any temporal, spatial, cultural or social constraints. Its rule and regulations are not man made and does not have any biases towards any community or place. Islam provides a very decent training to its believers and that is unique in its nature and this is a continuous and ongoing process. All the actions have their own reward. As mentioned by Quran in the chapter Al Zilzal that a very tiny action has its reward. Because as mentioned above that all the actions and activities are integrated and are linked with this world and life hereafter. For example if someone does a good deeds he gets benefit in this world that increases his good will in the market and simultaneously he expects reward from Allah (SWT). All Islamic dimensions are integrated with both of the lives. So whatever the action, dealings, or exchange takes place, it has its own particular moral value. All the moral values are according to the guidance of Quran and *sunnah* so consequently reduces the transaction cost. As it has been discussed above that the main ingredients of the moral values in this framework are Justice, *Ihsan* and *Sala-i-Rahm* and simultaneously moral capital will deplete if the members of society are involved in *shameful deeds, injustice, and rebellion*. As Ratnapala ⁹⁵said that if someone drinks more than someone then it is a relative phenomenon and no harm to the society and if someone does not drink he has no appreciation. But in the Islamic system if someone will avoid those things which are not allowed even then he will get the reward from Allah (SWT) and increase the Moral capital. It is a well-known phenomenon that once a pious and virtuous society and community will be established then there is minimum probability of destructions. Ultimately it will lead to the higher degree of efficiency and productivity and minimization of transaction cost. The role of Islamic state is completely different than the conventional state because Islamic state is also accountable to Allah (SWT) like any individual. This is the moral and legal duty of the state to observe that society is following the rules and regulation which is explained by the Islamic jurisprudence. In the Islamic sense both society and individuals are as well accountable to Allah (SWT) and integrated with each other. As Prophet (SAW) said that Islamic community is just like a human body, if one part of the body has a pain then whole body will feel it. So individual and society are same and one. One cannot separate individual from the society. Islamic Moral capital can be defined as:

Islamic Moral capital = Moral Capital in conventional setting + the Rulings of *Shariah*

In the conventional literature as discussed above the functioning of the market is based on the self-interest but virtuous is part of the transactions and due to these virtuous actions the goodwill of the participants increase. No doubt, Islamic does not condemn the self-interest but the existence of M_h changes the whole scenario and change the structure of the moral market and capital. Good intention is another aspect of the Islamic moral capital. If someone has a good intention and due to certain reasons he is unable to perform it even then he will get the reward.

“One saying of Prophet is: Ibn Abbas reported: The Messenger of Allah, peace and blessings be upon him, related from his Lord the Blessed and Exalted”, “Verily, Allah has recorded good and bad deeds and He made them clear. Whoever intends to perform a good deed but does not do it, then Allah will record it as a complete good deed. If he intends to do it and does so, then Allah the Exalted will record it as ten good deeds up to seven hundred times as much or even more. If he intends to do a bad deed and does not do it, then Allah will record for him one complete good deed. If he does it then Allah will record for him a single bad deed.”⁹⁶

Moral capital is the universal set and all others intangible capitals are the sub-set of the moral capital. However one has to keep in mind that all activities for the followers of Islam are guided by Quran and Sunnah. So when one says Islamic it means it should be different from the conventional understanding.

Islamic Moral and Social Capital:

Generally moral capital is based on the individual conduct and social capital is correlated with the conduct of the individuals. However in the Islamic system it is clearly mentioned that social capital is dependent on the moral capital and this social network will be very strong which is based on the moral capital. Here moral capital is not as defined by the conventional literature. Islamic moral capital increases the Islamic social capital, however it is not limited to M_w , and is extended to M_h . If we analyze the following verses from Quran:

“Nor can goodness and Evil be equal. Repel (Evil) with what is better: Then will he between whom and thee was hatred become as it were thy friend and intimate!”⁹⁷

“And no one will be granted such goodness except those who exercise patience and self-restraint,- none but persons of the greatest good fortune.”⁹⁸

“And if (at any time) an incitement to discord is made to thee by the Evil One, seek refuge in Allah. He is the One Who hears and knows all things.”⁹⁹

Here guidance is that if someone does the bad things then remove them with his good deeds and this will build the strong foundations of the social capital. Moral attitude is not only for known or unknown members of the society but even for those members who are involved in the bad deeds but due to Islamic moral attitude they left their bad deeds and they can become the good friends of those who are doing the good deeds. In that way the transaction cost will be almost zero, heartedness will be

removed and trust, honesty, brotherhood will increase. Here the second ingredient of the Islamic economy will work, i.e. *Ihsan*.

Islamic Moral and Human Capital:

Similarly Islamic moral capital also has its own impact on the Islamic human capital. Human capital in the Islamic jurisprudence is defined as *Ibad-ur-Rehamn* (Slaves of Allah). It is also extended to M_h . This is a particular type of knowledge, ability and skill which is appreciated by Quran. All the knowledge which believers have is only for the sake of Allah (SWT) and its only purpose is to increase the *falah* in both the worlds i.e. current life and life hereafter. Its main objective is to provide the benefit to the community at universal level. There is no room for false knowledge that is harmful to the humanity. Human capital is based on skill, knowledge and abilities to perform the work. Due to human capital the efficiency and productivity increases. It also enhances the power of decision making. In the Islamic environment knowledge will increase and there will be growth of human capital due to the good deeds. Islam does not like false knowledge and only that knowledge is appreciated which has a positive impact on the society. Moral capital increase the knowledge and ethics of different professions. In the same way skills or abilities that are not useful for the humanity are prohibited and are not considered as human capital. One can conclude that moral capital is the prerequisite of the development of human capital. Prophet (SAW) taught that how important is the knowledge. He said that knowledge tells us about the right and wrong, about the good and the bad and it provides us the light for entering the paradise. It helps us when are feeling alone or sad, it is source of honor for an individual it protects from the strategies of our enemies. He also taught the one has to strive for knowledge from cradle to the grave. He also emphasized that knowledge is better than praying, he preferred to teach one hour than to pray whole night. However all of the above are not without any guidance. The learning process should under the Islamic jurisprudence and this knowledge without practice is worthless. So human capital has its unique meaning under the umbrella of Islam.

Islamic Moral and Psychological Capital:

Islamic psychological capital is also generated through the Islamic moral capital. One can learn from the literature of positive psychology that four inter-related constructs have impact on the “human’s perception of happiness”, i.e. hope, optimism, resilience and self-efficacy. From the Islamic point of view, the moral values generate psychological capital. Moral behavior under the divine knowledge gives the strength to the believer to be hopeful, optimistic, resilient and to be able to do the things in the right way. Happiness is not related to how much one have but in fact depends on how much one have from the *Halal* sources and one should has to grateful to Allah (SWT) for his blessings and provisions. In Chapter *Al Kausar*, Allah (SWT) says that you have to be grateful for what I have given to you. Happiness is based on our good deeds and their rewards which are mentioned in chapter *Al Teen*. Quran says that small is beautiful and preferable if it is permitted (*halal*) and even it is large in quantity but if it is not permitted than it has no worth in the eyes *Shariah*. Allah (SWT) says in Chapter *Al Maida* as:

“Say, "Not equal are the evil and the good, although the abundance of evil might impress you." So fear Allah, O you of understanding, that you may be successful”¹⁰⁰

Further, chapter *Al Nishrah* taught the believers how to become optimistic and how they can develop their resilient mind.

“For indeed, with hardship [will be] ease”¹⁰¹

“Indeed, with hardship [will be] ease”¹⁰²

However all this is dependent on the moral values, moral attitude and moral training under the guidance of Quran and *Sunnah*. Table 1 presents the summary of Islamic moral and related intangible types of capital. All the intangible types of capital develop the tangible capital in the Islamic society/economy which community and individuals are earning according to the teachings of *Shariah*.

Table 1: Formation of other Intangible/tangible Capital from Islamic Moral Capital

Type of Capital	Islamic Moral Capital	Islamic Psychological capital	Islamic Social Capital	Islamic Human Capital	Islamic Traditional Economic Capital	Σ (End Result)
Traits	What you believe	What you are	What you know	What you have	What you have (through fair means)	Development of the personality of the individuals and for the community as a whole
Nature of Capital	Belief Intentions Practice Rituals	Confidence Hope Optimism Resilience	Relationship of Network of Contacts Friends (Brotherhood)	Experience Education Skills Knowledge Ideas Healthcare	Finance Tangible Assets (plant, equipment, patents, data)	Incremental change in capital through Moral Economy
Change	Generation of moral and physical Resources	Generation of moral and physical Resources	Generation of moral and physical Resources	Generation of moral and physical Resources	Philanthropy, paying in the way of Allah (SWT)	New Resources
Expected Return	Reward in the life hereafter	happiness	satisfaction	utility	Profit (<i>Halal</i>)	<i>Falah</i> in both of the lives
	Motivation to maximize gains (compassion, or some kind of inner fulfilment) while minimize the losses, reducing the transaction cost					

Source: Azid et al¹⁰³

Conclusion:

In the above discussion Islamic moral economy has been defined along with Islamic moral market and Islamic moral capital. It is observed from the above discussion that there is a clear-cut difference between the concept of moral and Islamic moral. In Islamic settings moral concepts cannot be defined without the guidance of Qur'an and *sunnah*. Islamic system is an integrated one where all the institutions are integrated with each other. In the Islamic system all actions are dependent on the intentions and also these actions are not only related to this world but also has a very strong association with the life hereafter. As al-Ghazali said that believers are not only traded in "market w" but also simultaneously they have the transaction for "market H". So the concept of trade and exchange has a different connotation. Trade and exchange has two dimensions i.e. one is trade with the market participants and other is with Allah (SWT). If preferences are on the right track then Allah (SWT) is the buyer and will give the reward and on contrary if preferences are not on the right track then man is the purchaser and will get the punishment from Allah (SWT). In the Islamic framework market is not considered as vice, all the activities which come under the umbrella of *shari'ah* are virtuous. Conventional concept of moral capital is the subset of Islamic moral capital. No doubt Islam recommends all the good deeds but it also observes the intentions of the actions. Balance sheet of the market participants includes the expected reward and punishment. Islamic market does not provide any opportunity of moral hazards and adverse selection. This system provides a training to its followers which is built-in its system.

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